

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5531-02
Bill No.: HB 1660
Subject: Agriculture and Animals; Economic Development; Taxation and Revenue -
Property; Economic Development Department
Type: Original
Date: February 24, 2012

Bill Summary: This proposal creates provisions relating to urban agricultural zones for blighted property.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
Total Estimated Net Effect on General Revenue Fund	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Urban Agricultural Zone Fund	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Local Government	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Department of Economic Development** and the **Office of State Treasurer** assume there is no fiscal impact from this proposal.

Officials at the **Budget and Planning** assume this proposal creates a mechanism for certain municipalities to create Urban Agricultural Zones to encourage agricultural production and community education. This proposal directs sales taxes on products sold within the UAZ into the Urban Agricultural Zone Fund, except those sales taxes that are constitutionally dedicated, or for school districts, or on motor vehicles. Therefore, this proposal will reduce General Revenues by an unknown amount.

Real property in the UAZ is to be exempt from assessment and taxation for the first ten years. This proposal could reduce local revenues, including those for schools. This could also reduce Total State Revenues if Blind Pension Fund receipts decline.

Grower-UAZs are provided water at wholesale rates and provided discounts on hook-ups. This may reduce municipal revenues if the municipality is the water provider.

Officials at the **State Tax Commission** assume no impact on their agency. However, there will be an unknown revenue loss to local political subdivisions.

Officials at the **Department of Agriculture (MDA)** assume the fiscal impact of this proposal on the MDA is unknown. It is not possible to estimate with any accuracy the number of urban agricultural zones (UAZ) that will be formed, their location, the types of agricultural products that will be produced, or the amount of sales tax revenue realized from the sale of products in the UAZ.

Officials at the **Department of Revenue** assume ITSD-DOR will need to make programming changes to various tax systems. It is estimated to cost \$46,2016 for 1,744 FTE hours.

Oversight assumes OA-ITSD (DOR) is provided with core funding to handle a certain amount of activity each year. Oversight assumes OA-ITSD (DOR) could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, OA-ITSD (DOR) could request funding through the appropriation process.

ASSUMPTION (continued)

Officials at the **Department of Elementary and Secondary Education** assume the proposal appears to allow a person or organization to develop an UAZ (urban agricultural zone) on a blighted area of land within a municipality of at least five thousand people. As part of the application process, the applicant must provide a plan for educational opportunities which shall include at least one educational opportunity per month to local school districts. Sales tax revenues received from the sale of products sold in the UAZ, with specific exceptions, are deposited in the "Urban Agricultural Zone Fund" to which school districts may apply to the state treasurer for funds to be used for the development of gardens on school property.

In general, tax subsidies reduce the state's tax revenues and decrease the amount of money available for public schools and all public school students. Given the subject matter, "blighted areas" are not likely to reap additional sales tax revenues; however, it is impossible to determine whether the blighted area might have generated revenues independent of this proposal.

Ultimately, the impact of this proposal is dependent upon the unknown actions of persons and/or organizations as well as future sales tax revenues which cannot be predicted at this time. Therefore, any impact is unknown.

Officials at the **Special School District** assume this proposal would have a negative fiscal impact on the School District due to the elimination of real estate property taxes for 10 years. For every \$ 1 million in assessed value exempted from property taxes, the School District would lose \$10,120 in property tax revenue partially offset by sales tax revenue that would be generated.

Officials at the **Mexico School District** assume the impact can not be determined at this time.

Officials at the **Parkway School District** assume any decrease in the amount of property or sales tax will reduce school district revenues, but no estimate is possible at this time.

Officials at the **City of Kansas City** assume the proposal provides for total and partial property tax abatement for special urban agriculture zones. Additionally, sales tax that is not for a special purpose will be diverted to a special account. Also, the City's Water Services Department will be required to sell water to operators in these zones at wholesale, and may only charge 50% of the hook-up fee normally charged for an account. The extent of these losses cannot be estimated since the number of UAZ's is an unknown. As with other economic development measures, an increase in economic activity should outweigh the lost revenue. Whether the size of the lost revenue will be less than new economic activity is not capable of being determined at this time.

ASSUMPTION (continued)

Officials at the **City of Columbia** assume the financial impacts to the City are loss of local sales tax and the ad valorem taxes on real property that is located within the "UAZ". There would be an impact on the water and light department in the "grower uaz" requiring the sale of water at "wholesale" prices. The language does not indicate that only new real property would not be subject to the property tax, therefore, if existing real property would not be subject to the tax, then there is the potential for the loss of real property taxes that are currently being paid.

Oversight assumes that no city, county, school or other local political subdivision would be affected by this proposal unless an Urban Agricultural Zone (UAZ) was created in their area.

Oversight assumes it is unclear how many Urban Agricultural Zones would be created in this State. Additionally, any sales tax revenue generated in the UAZ will be required per this proposal to be transferred to the Urban Agricultural Zone Fund. Therefore Oversight will show the revenue reduction to General Revenue and the revenue increase to the UAZ Fund as \$0 (no UAZ created) to Unknown.

Oversight assumes that all money received by the Urban Agricultural Zone Fund will be used for grants to schools according to the guidelines established in this proposal.

Oversight assumes this proposal allows for the UAZ to purchase water at wholesale prices. Political subdivisions that own their own water and light departments would be effected by this proposal. Therefore Oversight will show the revenue reduction to Local Political Subdivision Funds as \$0 (no UAZ created) to Unknown.

Oversight assumes the creation of this new program outlined in this proposal may have an impact on the state. However, Oversight considers this to be indirect impact of the proposal and will not reflect it in this fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
GENERAL REVENUE			
<u>Revenue Reduction</u> - loss of sales tax revenue in the Urban Agricultural Zone	<u>\$0 to</u> <u>(Unknown)</u>	<u>\$0 to</u> <u>(Unknown)</u>	<u>\$0 to</u> <u>(Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0 to</u> <u>(Unknown)</u>	<u>\$0 to</u> <u>(Unknown)</u>	<u>\$0 to</u> <u>(Unknown)</u>

**URBAN AGRICULTURAL ZONE
 FUND**

<u>Revenue</u> - collection of sales tax in the UAZ	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
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<u>Transfer Out</u> - to local school districts for school gardens	<u>\$0 to</u> <u>(Unknown)</u>	<u>\$0 to</u> <u>(Unknown)</u>	<u>\$0 to</u> <u>(Unknown)</u>
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**ESTIMATED NET EFFECT ON
 URBAN AGRICULTURAL ZONE
 FUND**

<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Local Government	FY 2013 (10 Mo.)	FY 2014	FY 2015
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LOCAL POLITICAL SUBDIVISIONS

<u>Revenue Reduction</u> - Water and Light Departments -water sold at wholesale prices	<u>\$0 to</u> <u>(Unknown)</u>	<u>\$0 to</u> <u>(Unknown)</u>	<u>\$0 to</u> <u>(Unknown)</u>
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ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0 to</u> <u>(Unknown)</u>	<u>\$0 to</u> <u>(Unknown)</u>	<u>\$0 to</u> <u>(Unknown)</u>
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LOCAL SCHOOL DISTRICT FUNDS

<u>Transfer In</u> - from the Urban Agricultural Zone Fund to create school gardens	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
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<u>Cost</u> -expenses of creating a school garden	<u>\$0 to</u> <u>(Unknown)</u>	<u>\$0 to</u> <u>(Unknown)</u>	<u>\$0 to</u> <u>(Unknown)</u>
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ESTIMATED NET EFFECT ON LOCAL SCHOOL DISTRICT FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

Small businesses in the Urban Agricultural Zones could experience a fiscal impact.

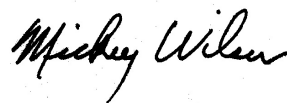
FISCAL DESCRIPTION

This bill allows for the establishment of an Urban Agriculture Zone.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Budget and Planning
City of Columbia
City of Kansas City
Department of Agriculture
Department of Economic Development
Department of Elementary and Secondary Education
Department of Revenue
Mexico School District
Office of State Treasurer
Parkway School District
Special School District
State Tax Commission



Mickey Wilson, CPA
Director
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